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Contact: Paula Kurtzweil Walter, (202) 326-2583

Chain Emails: Just Another Ploy or the Real McCoy?

Few people escape them — chain letters. They used to circulate by regular mail, but these days, they're more likely to come via email or Internet chat rooms.

Chain letters generally include a list of names and addresses with instructions to send something — say, a small sum of money — to one or more names on a list. Then, you are instructed to remove one or more names from the list, add your name to the bottom of the list, and email the letter to a certain number of other people with directions on how to “continue the chain.”

One “chain email” making the rounds since 1999 promises participants they'll make at least \$46,000 in as little as three months simply by sending \$5 to each of four or five people on a list. The letter offers assurances that the money-making scheme is perfectly legal. It even tells skeptical consumers to check it out with the Federal Trade Commission's (FTC's) Associate Director for Marketing Practices.

Are these claims true? We decided to check with Eileen Harrington, the FTC's Associate Director for Marketing Practices, who summed up chain letters this way: “They are not legal, no one is going to get rich from a chain letter, and people who forward chain messages are breaking the law.”

Here's more of what she had to say:

Q: This chain letter says to contact the Associate Director for Marketing Practices at the FTC. Is this part of your job — to approve chain letters and chain emails?

A: No, that's not my job. I manage a division of the FTC's Bureau of Consumer Protection that works to protect consumers from businesses and individuals that defraud consumers. My job is to stop and sue them and to alert consumers to the illegality of these fraudulent activities. Starting and sending chain letters are fraudulent activities.

The senders of this particular email probably did a lot of potential victims a favor by referring them to me. Most of the calls went to the FTC's Consumer Response Center. I've probably taken four or five calls a week on this for the past few years. It's good to be able to set people straight rather than have them go on in ignorance.

Q: Is it legal to start or forward an email chain letter like this one that promises extravagant earnings?

A: It is *illegal* to start or forward an email chain letter that promises any kind of return, let alone an extravagant one.

Q: If I forward a chain email that promises something in return, what could happen to me?

A: If you start or send a chain email you could be prosecuted for mail fraud. That's a serious offense. You could receive a fine and actual jail time, depending on the seriousness of your violation.

You also could face legal action from the FTC. More than a year ago, the FTC warned almost 1,000 participants in a chain email scheme that they would be sued if they didn't stop participating in chain email schemes. This year, the FTC sued six individuals for promoting the scheme that gave my name as a reference. As a result of our action, those people can't engage in similar marketing plans anymore, and they have to refund any money they received to the people who sent it.

Q: But this particular chain letter says you have approved it. Doesn't that mean it's OK for me to pass this letter on?

A: Despite the fact that the letter says it's OK, it's definitely not. The FTC's mission is to stop and prosecute individuals and companies that engage in fraud, including chain letters like this one.

Q: The letter says I can "earn \$46,000 or more in the next 90 days sending email." That's pretty tempting. Is it *too* tempting?

A: Well, consider how chain letters work: You receive a list of names and addresses, with instructions to send money or something else to one or more people on a list, remove one or more names from the list, add your name to the bottom of the list, and then forward the letter to a certain number of people. The theory is that by the time your name gets to the top of the list, so many people will be involved that you'll be flooded with whatever the letter promises — money, for example. But it's mathematically impossible. The earnings are derived primarily from recruiting other customers outside of the chain. Participants can make money only if they recruit a substantial number of newer participants in levels below them. Eventually, this scheme, like all pyramid schemes (which is what chain letters are), breaks down because there are no more possible recruits. It's like a house of cards, waiting to fall in. And those at the bottom of the chain — the majority of participants — lose money because there's no one left to recruit into positions below them in the chain.

Q: But the letter says, "This method of raising capital really works 100 percent every time." Are you telling me this is false?

A: These schemes *fail* 100 percent of the time. The very first people to get involved may take some money, but at a minimum, 90 percent of people will not only *not* make money, they'll lose whatever money they put in. I can guarantee you that by the time you receive the chain letter, the opportunity to make money will be long gone.

Q: Should I ever believe claims that I can make big money with little or no risk or effort?

A: Nope. You should be very, very skeptical of claims like those. It's rare that you can make money without some risk — whether that involves investing money or time.

The other thing is that...well, think about it: If I knew of a foolproof way to make a lot of money with little effort and risk, I'd be doing it. I wouldn't be telling other people about it. These kinds of claims are generally a sign of some kind of fraud.

You should always do your homework: Check with the local Better Business Bureau, consumer protection agency or your state Attorney General's Office to see whether they have received complaints about an investment you may be unsure of. The FTC website at www.ftc.gov also has useful information.

Q: What if I already forwarded this chain letter to others? Could I be in trouble?

A: If you received money as a result of participating in a chain letter, return the money to the sender. That might get you off the hook.

Q: What should I do if I receive a chain letter?

A: Don't respond. If the letter was received by email, complain to your Internet Service Provider (ISP). Most ISPs try to keep this kind of stuff out. They may be able to trace the source of the email letter, too. You might want to tell the sender that what they're doing is illegal. You also can report the letter to the local consumer protection agency or your state Attorney General or to the FTC, either online at www.ftc.gov or by calling toll free, 1-877-FTC-HELP (1-877-382-4357). Or, forward the email to the FTC's database of unsolicited spam emails at spam@uce.gov. The FTC uses the database in its law enforcement efforts.

Q: Who can I call if I have any questions about chain emails?

A: Call the FTC Helpline, toll free, 1-877-FTC-HELP (1-877-382-4357). A crackerjack staff is ready to help you with any consumer question you may have.